The Overland Express Limited / 1968 Annual Report

OVERLAND

The Overland Express Limited
and Subsidiary Companies

AUTHORIZED CAPITAL	103,425 60¢ Cumulative Non-Callable Preference Shares of no par value convertible into Common Shares at the rate of 1 Common Share for each Preference Share. 463,575 Common Shares of no par value.
ISSUED CAPITAL	103,425 Preference Shares. 286,775 Common Shares
OFFICERS	Robert D. Grant, Chairman of the Board. J. Campbell Carruth, President. Stephen J. Suske, Vice President and General Manager. William A. Reid, Secretary-Treasurer.
DIRECTORS	Frederick A. Beck, Q.C., Toronto, Ont. J. Campbell Carruth, C.A., Toronto, Ont. Robert D. Grant, Toronto, Ont. Frank D. Lace, Toronto, Ont. William A. Reid, C.A., Woodstock, Ont. Stephen J. Suske, Woodstock, Ont. Ian S. Waldie, Toronto, Ont.
AUDITORS	Clarkson, Gordon & Co., London, Ont.
SOLICITORS	White, Bristol, Beck & Phipps, Toronto, Ont.
TRANSFER AGENTS & REGISTRAR	The Royal Trust Co., Toronto, Ont.

EXPRESS


FREDERICK A. BECK, Q.C.
Director
Senior Partner — White, Bristol, Beck & Phipps

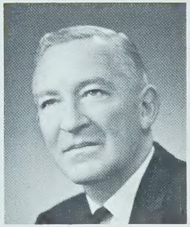

J. CAMPBELL CARRUTH, C.A.
President
The Overland Express Limited


ROBERT DUNHAM GRANT
Chairman of the Board
The Overland Express Limited


FRANK D. LACE
Director
President — Matthews & Company Limited


WILLIAM A. REID, C.A.
Secretary-Treasurer
The Overland Express Limited


STEPHEN J. SUSKE
Vice-President
The Overland Express Limited


IAN S. WALDIE
Director
The Overland Express Limited

The Overland Express Limited

and Subsidiary Companies

The fortieth year of operations of your company concluded on November 2nd, 1968 and I am pleased on behalf of your Board to report record progress. Throughout the year we were running at top capacity which extended our facilities, both stationary and moving, to the limit. This resulted in an increase in revenue in 53 weeks of our 1968 year to $12,787,119. from $9,858,400. in 1967 which was a 52 week year, being an increase of almost 30%. This large increase in revenue was bound to reflect in better operating results and our net profit after taxes, was $940,447. an increase from $533,141. or 76%. The percentage of profit on the sales dollar was also an improvement from 5.4% last year to 7.4% in 1968. Traffic moving both ways across the international border continues to increase at a greater rate than our domestic traffic, although this year there were some encouraging increases in this latter traffic. Canada's increasing export market in the United States continues to favourably affect the operations of your company.

An important trend which I pointed out in last year's report continued through 1968. The number of tons transported, as you will see elsewhere in this report, increased by something over 18% while the number of shipments transported increased slightly under 13%. This, of course, means that we are moving bigger shipments on an average.

Depreciation for the year on our capital assets totalled $875,833. an increase of $219,599. over 1967. In arriving at our net profit, it should be pointed out that all capital assets are depreciated at the maximum rates allowable for tax purposes which conforms with past practices. Capital Expenditures for the year were very high, totalling $2,275,649. as compared to $806,419. last year. Approximately 50% of this figure was spent on vehicles which enabled us to up-date and expand our fleet.

Our new facilities in Windsor are nearing completion and we will be operating from them prior to the end of 1968. These facilities will assist us greatly in expediting traffic across the border between Windsor and Detroit and will also improve our maintenance capacity in that area. The other major capital expenditure which was made during the year was the purchase of land in the west end of Toronto where it is planned to build a warehouse and garage for occupancy before the end of 1969. This facility is urgently required to look after present and future expansion.

Common Stock Dividends for the fiscal year amounted to 50¢ per share, including a 20¢ extra paid at the end of October. Regular 15¢ quarterly dividends were paid on the Convertible Preferred Stock for the ninth consecutive year.

Overland operates 3 small subsidiaries, which as a group contributed approximately $8,500. to the overall profit. G. W. A. Incorporated is a real estate holding company owning our Buffalo Warehouse. Oxford Tire Limited retails tires and automobile parts in Woodstock. The third subsidiary is Hodgson-Taylor Company Limited, a small heavy machinery moving business, which operated at approximately a break-even point during the year.

During the summer, we along with the major companies in the Industry, went into intensive negotiations with the Teamsters Union resulting in a contract being signed effective October 1st, 1968 for a three year period. It is a credit to the negotiating committees on both sides that in these difficult days of labour strife, they were able to conclude a contract prior to the end of the old contract and without a strike. The new contract provides for major increases in wages and fringe benefits over the three year period but we are confident, with normal business conditions and without interruptions from the labour force, that we can maintain our progress in spite of the severity of the contract conditions.

It is with great regret that I must record the sudden passing in June, 1968 of our Director, Mr. W. E. N. Bell. Mr. Bell was a Director of the company from March 1951 until his death and through the years offered great assistance to the management.

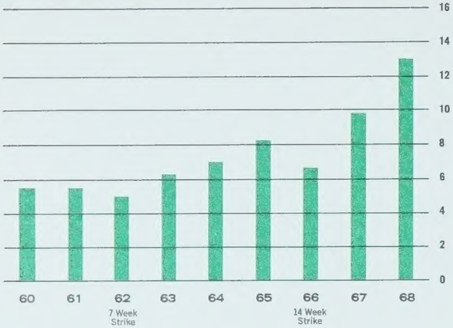
Subject to approval at the Annual Meeting, Mr. Bell's position on the Board will be filled by Mr. J. C. Carruth, who was elected President of the company by your Board in October, 1968. Mr. Carruth came to us from Motorways (Ontario) Limited where for six years he had ably filled the position of President. His youth and vigour will add greatly to our organization.

The prospects for the coming year would appear to be good. It probably isn't reasonable to expect the same increase in volume in the coming year that we have experienced this year but we would hope for an increase of about 15% in our net freight revenue. The continuous rise in costs will probably make it difficult for us to maintain the same percentage of profit on the revenue dollar that we did with our record 7.4% in 1968. However, we are confident that new and improved equipment and facilities will go a long way to help us offset these increases.

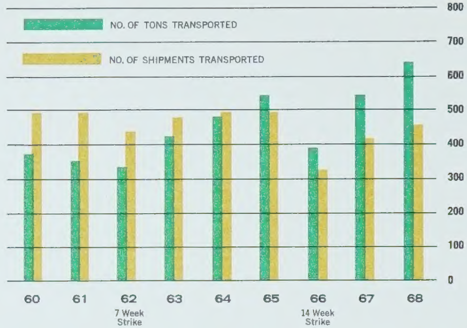
At the end of the year that has produced tremendous demands on our employees, I would like to express appreciation to them for their patience and industry. The success of your company has been made possible by the efforts of its many employees. On behalf of the Board of Directors.

R. D. Grant,
Chairman of the Board.

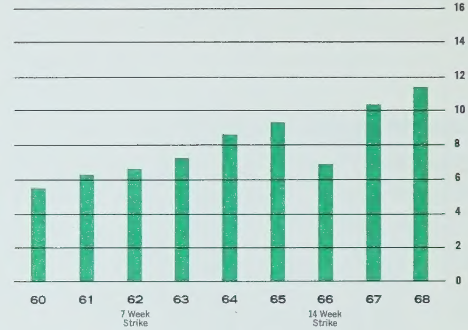
Net Freight Revenue (Total Sales)



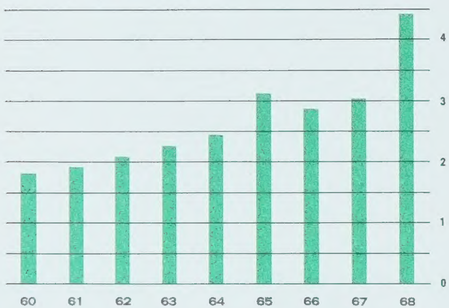
Freight Transported



Total Mileage

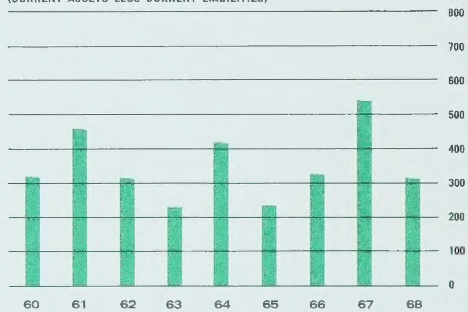


Net Property and Equipment

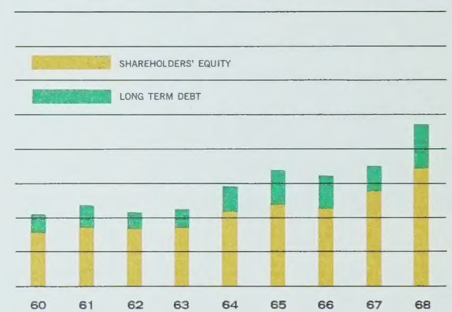


Working Capital

(CURRENT ASSETS LESS CURRENT LIABILITIES)

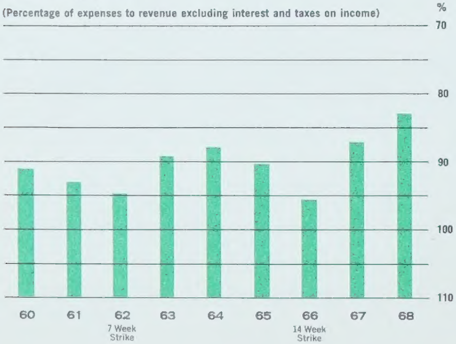


Capitalization



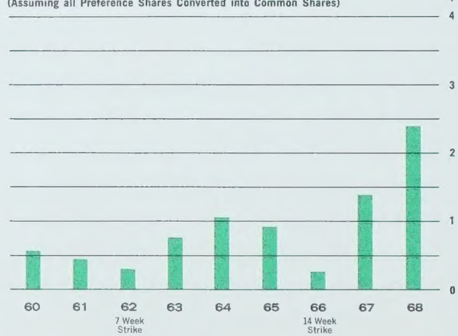
Operating Ratio

(Percentage of expenses to revenue excluding interest and taxes on income)

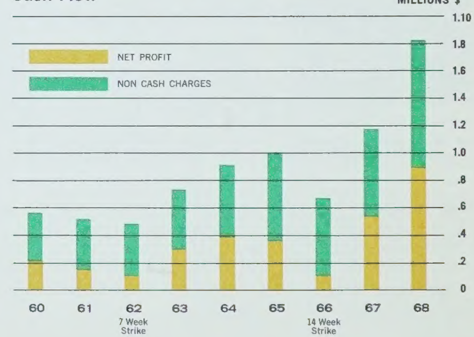


Earnings Per Share

(Assuming all Preference Shares Converted into Common Shares)



Cash Flow



The Overland Express Limited

and Subsidiary Companies

Facts in Brief

	1968 November 2 53 WEEKS	1967 October 28 52 WEEKS	1966* October 29 52 WEEKS	1965 October 30 52 WEEKS	1964 October 31 52 WEEKS
Net freight revenue (total sales)	$12,787,119	$9,858,400	$6,502,501	$8,183,521	$7,181,518
Consolidated net income after taxes					
— amount	$940,447	$533,141	$ 81,220	$358,927	$395,658
— percent of net freight revenue	7.4	5.4	1.3	4.4	5.5
Common Stock dividend per share	$ .50	$ .325	Nil	$ .30	$ .25
Earnings per share (assuming all preference shares converted into common shares)**	$2.41	$1.39	$ .22	$ .97	$1.08
Cash flow per share (assuming all preference shares converted into common shares)**	$4.65	$3.11	$1.82	$2.71	$2.53
Book value per share (including Preferred)**	$8.84	$7.17	$6.21	$6.26	$5.71
Salaries, wages and benefits	$6,345,939	$5,229,239	$3,653,223	$4,218,065	$3,563,784
No. of full time employees at year-end	855	718	719	692	643
No. of Preferred shareholders at year-end	758	994	1,027	1,063	1,097
No. of Common shareholders at year-end	478	599	700	690	650
No. of tons transported	629,551	530,929	397,944	529,631	475,334
No. of shipments transported	454,821	402,591	321,996	484,109	489,320
Total mileage	11,540,509	10,331,265	6,799,635	9,364,419	8,608,651
Fuel taxes and licences	$782,348	$652,265	$507,130	$579,427	$507,391
Equipment owned and operated:					
Trucks and Tractors	303	292	272	291	267
Semi Trailers	516	448	405	375	322
Miscellaneous	86	84	78	81	77

* 1966 figures affected by fourteen week strike.

** Preference shares may be converted into common shares at the rate of 1 common share for each preference share.

The Overland

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(Incorporated und

Consolidated Balance

(WITH COMPARATIV

ASSETS

	1968	1967
CURRENT:		
Cash	$ 16,697	$ 9,174
Accounts receivable (net of allowance for doubtful accounts of $35,000 in 1968 and $25,000 in 1967)	2,780,621	1,790,202
Inventory of parts and supplies — at the lower of cost or market value	108,612	79,052
Cash surrender value of life insurance	33,799	29,647
Prepaid expenses	153,908	137,781
5% refundable tax	30,784	36,840
	3,124,421	2,082,696
FIXED — AT COST — note 5:		
Land and roadways	829,236	379,640
Buildings	2,518,433	1,952,999
Furniture and equipment	634,042	501,262
Automotive equipment	6,360,549	5,325,569
	10,342,260	8,159,470
Less accumulated depreciation	5,931,023	5,144,844
	4,411,237	3,014,626
Franchises — at nominal value	1	1
	$7,535,659	$5,097,323

On behalf of the Board
R. D. Grant, Director
W. A. Reid, C.A., Director

The accompanying "Notes to the Consolidated Financi

AUDITOR

To the Shareholders,
THE OVERLAND EXPRESS LIMITED

We have examined the consolidated balance sheet of The Overland Express Limited and subsid and source and application of funds for the fifty-three week period then ended. Our examinatio and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of of their funds for the fifty-three week period then ended in accordance with generally accepte

London, Canada, November 21, 1968.

xpress Limited

COMPANIES

laws of Ontario)

eet, November 2, 1968

FIGURES FOR 1967)

LIABILITIES

	1968	1967
CURRENT:		
Due to bankers against which accounts receivable have been pledged — on demand loan	$ 496,000	$ 70,000
— on overdraft	43,567	23,183
	539,567	93,183
Accounts payable and accrued charges	1,344,949	759,521
Taxes payable	824,361	604,430
Deferred bank loan and mortgage principal payments due within one year	108,200	100,400
	2,817,077	1,557,534
DEFERRED:		
Deferred bank loan and mortgages payable — note 1	1,378,324	894,808
Less principal payments due within one year and included in current liabilities	108,200	100,400
	1,270,124	794,408
SHAREHOLDERS' EQUITY:		
Capital — note 2		
Authorized:		
103,425 60¢ cumulative non-callable preference shares of no par value convertible into common shares at the rate of 1 common share for each preference share		
463,575 common shares of no par value		
Issued and fully paid:		
103,425 preference shares (167,000 in 1967)		
286,775 common shares (216,000 in 1967)	210,800	164,000
Consolidated retained earnings	3,237,658	2,581,381
	3,448,458	2,745,381
	$7,535,659	$5,097,323

tements" should be read in conjunction with this statement.

REPORT

ompanies as at November 2, 1968 and the consolidated statements of income, retained earnings
uded a general review of the accounting procedures and such tests of the accounting records

ompanies as at November 2, 1968, the results of their operations and the source and application
ounting principles applied on a basis consistent with that of the preceding period.

CLARKSON, GORDON & CO., Chartered Accountants.

Consolidated Statement of Income

FIFTY-THREE WEEK PERIOD ENDED NOVEMBER 2, 1968
(with comparative figures for 1967 — fifty-two weeks)

	1968	1967
Net freight revenue (total sales)	$12,787,119	$9,858,400
Operating expenses excluding depreciation	9,820,515	7,979,188
Operating profit for period before deducting depreciation and interest on bank loans and mortgages	2,966,604	1,879,212
Deduct:		
Depreciation	875,833	656,234
Interest on deferred bank loans and mortgages	52,324	87,837
	928,157	744,071
Income for period before taxes on income	2,038,447	1,135,141
Taxes on income	1,098,000	602,000
Consolidated net income for period	$ 940,447	$ 533,141

The accompanying "Notes to the Consolidated Financial Statements" should be read in conjunction with this statement.

Statement of Consolidated Source and Application of Funds

FIFTY-THREE WEEK PERIOD ENDED NOVEMBER 2, 1968
(with comparative figures for 1967 — fifty-two weeks)

	1968	1967	Increase or (decrease)
Working capital, beginning of period	$ 525,162	$ 314,912	$ 210,250
Source of funds:			
Operations —			
Consolidated net income for period	940,447	533,141	407,306
Add depreciation	875,833	656,234	219,599
	1,816,280	1,189,375	626,905
Proceeds from sale of fixed assets	3,205	7,829	(4,624)
Deferred bank loans and mortgages	523,000		523,000
Proceeds from issue of capital stock	46,800	88,400	(41,600)
	2,389,285	1,285,604	1,103,681
Application of funds:			
Dividends paid to shareholders	218,870	168,360	50,510
Investment in automotive equipment	1,126,601	713,125	413,476
Investment in other fixed assets	1,149,048	93,294	1,055,754
Franchise purchased	65,300		65,300
Reduction of deferred debt	47,284	100,575	(53,291)
	2,607,103	1,075,354	1,531,749
Working capital, end of period	$ 307,344	$ 525,162	$ (217,818)

Statement of Consolidated Retained Earnings

FIFTY-THREE WEEK PERIOD ENDED NOVEMBER 2, 1968
(with comparative figures for 1967 — fifty-two weeks)

	1968	1967
Balance, beginning of period	$2,581,381	$2,216,600
Add consolidated net income for period	940,447	533,141
	3,521,828	2,749,741
Deduct dividends paid on:		
Preference shares	89,505	100,200
Common shares	129,365	68,160
	218,870	168,360
Write-off of cost of franchise acquired during period	65,300	
	284,170	168,360
Balance, end of period	$3,237,658	$2,581,381

The accompanying "Notes to the Consolidated Financial Statements" should be read in conjunction with this statement.

Notes to the Consolidated Financial Statements — NOVEMBER 2, 1968

NOTE 1 — DEFERRED BANK LOANS AND MORTGAGES PAYABLE

Particulars of deferred bank loans and mortgages are as follows:

	November 2 1968	October 28 1967
Deferred bank loans repayable $5,000 per month	$ 400,000	$120,000
6% - 8% mortgages due 1970-1985	978,324	774,808
	1,378,324	894,808
Principal repayments due within one year	108,200	100,400
	$1,270,124	$794,408

Payments required on mortgages in future years are as follows:

1969	$ 48,800	1972	31,300
1970	276,600	1973	238,000
1971	42,600	Beyond	341,024
			$978,324

NOTE 2 — CAPITAL STOCK

As at November 2, 1968 there were options outstanding to certain officers and other employees on 8,800 common shares of capital stock at $6.50 per share to January 1, 1970, and on 4,000 common shares of capital stock at $22.25 per share, exercisable at a maximum of 800 shares per year for the five years 1970 to 1974 inclusive.

During the period ended November 2, 1968 options were exercised on 7,200 common shares for $46,800 cash and in addition 63,575 preference shares were converted into 63,575 common shares under the 1:1 conversion privileges attaching to the preference shares. The number of authorized preference shares decreased and the number of authorized common shares increased by 63,575 as a result of these conversions.

Subject to shareholder approval subsequent to the end of the period it is the intention of the company to apply for supplementary letters patent to subdivide the authorized and issued common shares into three non-voting 5¢ participating second preference shares of no par value and one common share of no par value and to redesignate the 60¢ preference shares presently authorized and issued as first preference shares.

NOTE 3 — DIRECTORS' AND OFFICERS' REMUNERATION

Th aggregate direct remuneration paid or payable by the company and its subsidiaries to the directors and senior officers during the period ended November 2, 1968 amounted to $179,175 ($127,210 in 1967).

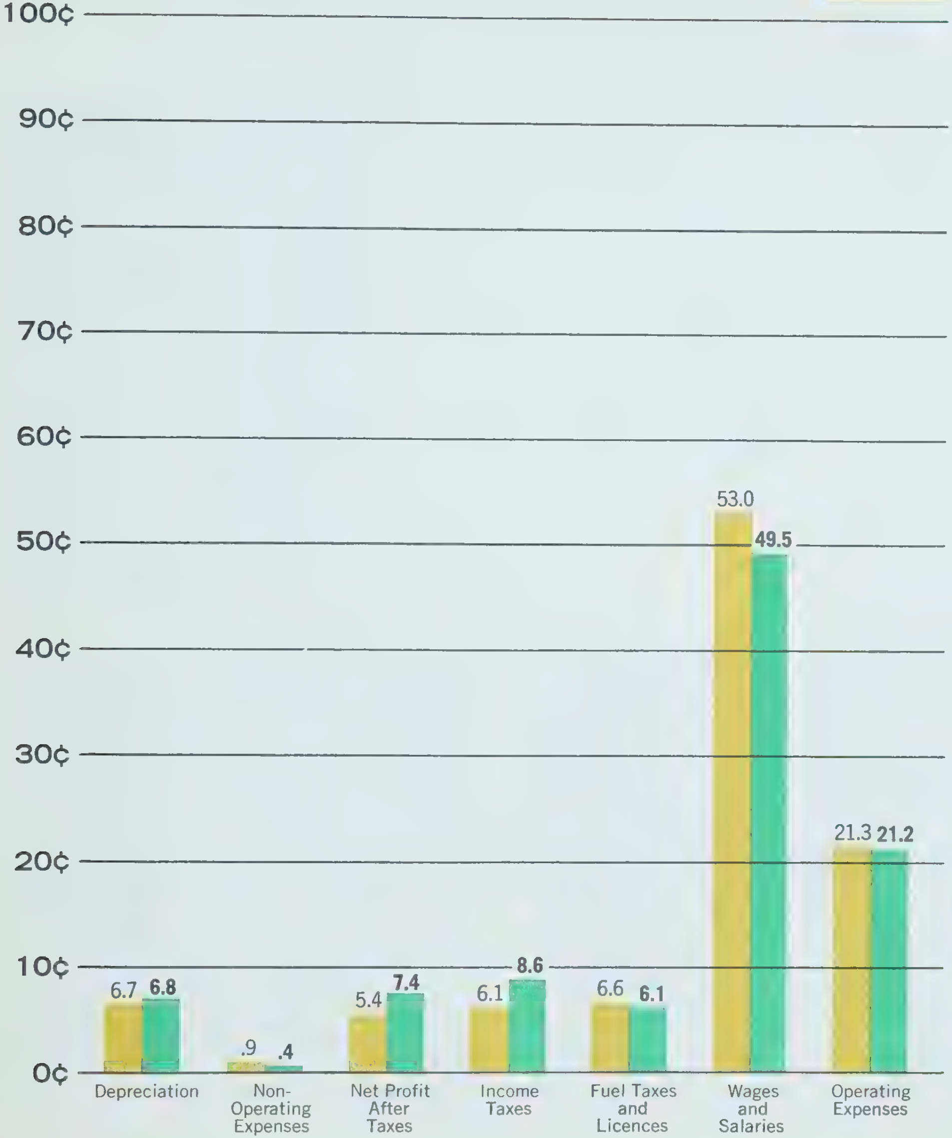
NOTE 4 — PENSIONS

As at November 2, 1968 the companies liability in respect of past service pension benefits not provided for in the attached consolidated financial statements amounted to $55,257. It is the intention of the companies to provide for and pay this liability in equal annual instalments of approximately $13,800 over the next four fiscal periods. The cost of past service pension benefits paid for and charged to expense in 1968 and 1967 amounted to $13,814. All other pension costs are provided and paid for in the period in which such costs are incurred.

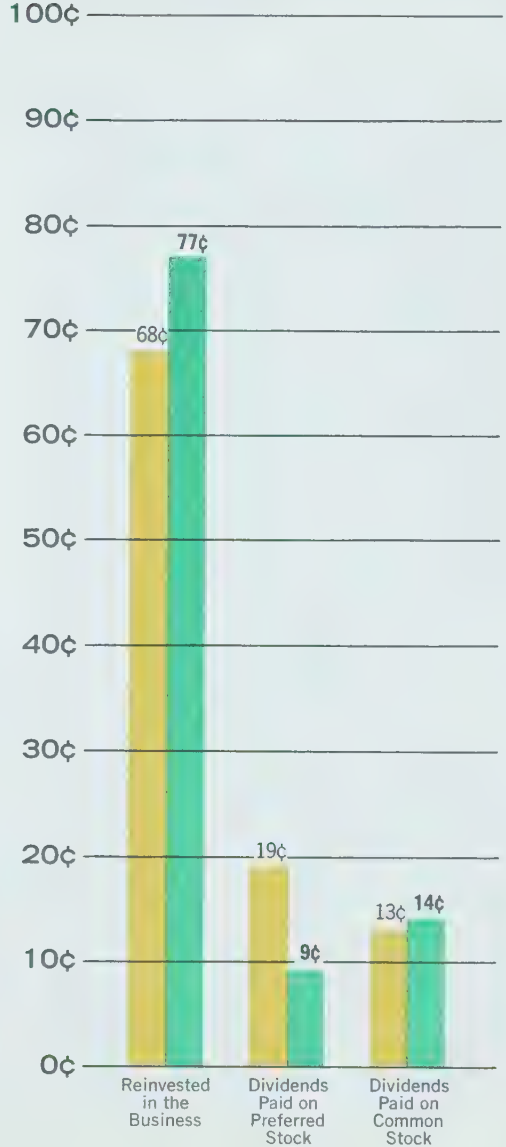
NOTE 5 — COMMITMENTS

As at November 2, 1968 the companies have entered into agreements to acquire additional land at a cost of $157,000 and the cost to complete a terminal building under construction amounted to $231,000, the liability for which has not been reflected in the attached consolidated financial statements.

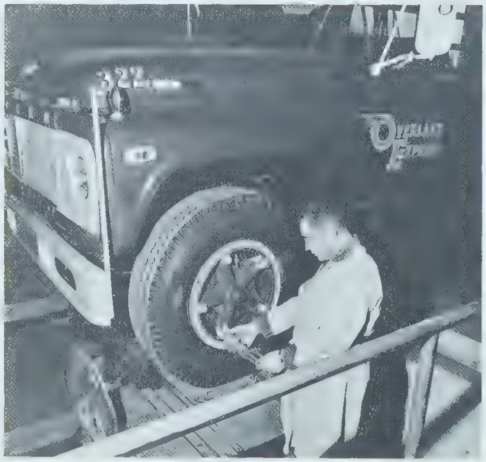
Our 1968 revenue dollar
and what we did with it!



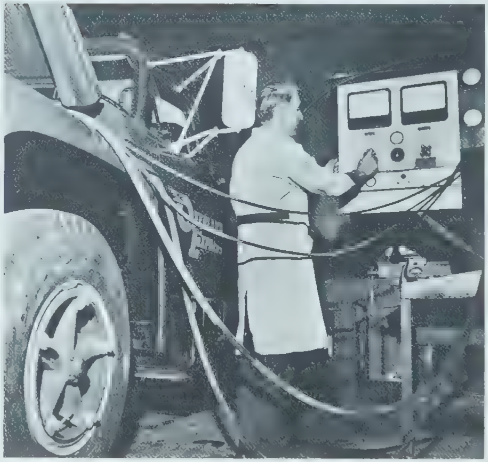
Our 1968 after tax dollar
and what happened to it!



Wheel alignment
and balancing is very
important for road safety.



Chassis Dynanometer
simulates load conditions
for on-the-spot road testing.



The Overland Express Limited

Service and Maintenance Department

It is the responsibility of the Maintenance Department of The Overland Express Limited to purchase and maintain the vehicular equipment used to provide the services required by our customers. Vehicles are purchased directly from the manufacturers according to our specifications. We start with the basic vehicle and add to it the options we require to bring the vehicle to our standards. The options used provide longer component life, greater service reliability and lower maintenance costs. Our highway tractor fleet has now been converted to diesel and we are testing diesel in the city although our city tractors are predominantly powered by gasoline engines.

A controlled maintenance program is a very important part of the transportation industry which enables us to maintain efficient service to our customers. The company garage facilities are located at Woodstock, Windsor, Sarnia, Hamilton, St. Catharines and Toronto. All major repair work is performed at Woodstock where we are able to completely service and overhaul all units. Modern larger facilities are being built in Windsor and when completed will allow us to transfer some of the workload from Woodstock to Windsor. Company service facilities at our locations perform vehicle inspections and normal running repairs.

All vehicles are on a Preventative Maintenance Program and each is routed to a Company garage at a predetermined mileage or time interval for a complete inspection to ensure safe and reliable operation at the lowest possible cost. In the interests of Public Safety, particular attention is given to steering, tires, lights and brakes at each vehicle inspection. Preventative Maintenance Programs are continually under review as a result of technological advances in equipment and the increased emphasis on improved equipment utilization. In the interests of reducing operating costs, our highway tractors are now running six days a week, twenty hours a day with the drivers being restricted to ten hour shifts. The trend towards diesel on the highway and the ever increasing demand for customer service and equipment utilization has resulted in the employment of additional personnel and a two shift garage operation six days a week.

Purchase and supply of maintenance parts, tires and major components such as engines, transmissions and rear ends is centralized in Woodstock. Detailed vehicle cost records, which help to control our costs and indicate when units should be replaced are also prepared at Woodstock.

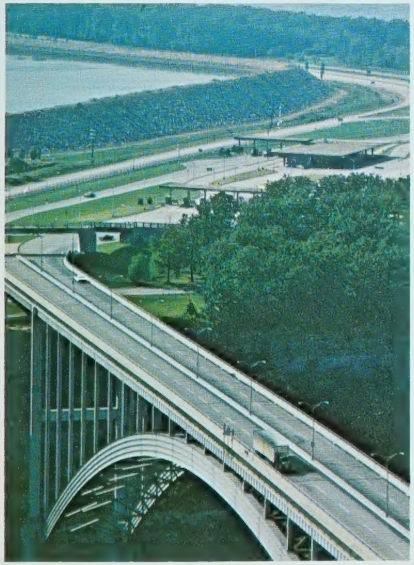
At Overland, we in the Maintenance Department consider we are a service division to the main function of the Company, that is to provide the efficient movement of customers' goods. All of our efforts are devoted to providing this service as quickly, safely and economically as possible.

G. A. Wisby,
Superintendent of Maintenance.

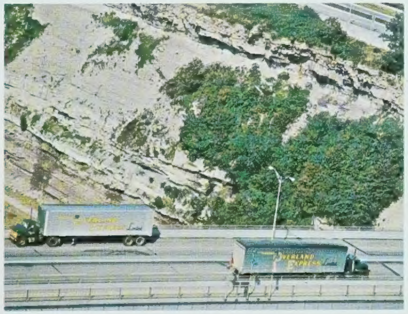

THE OVERLAND ROUTE
GEORGIAN BAY
COLLINGWOOD
BARRIE
LAKE SIMCOE
ONTARIO
ORANGEVILLE
LAKE HURON
MICHIGAN
BRAMALEA
TORONTO
BRAMPTON
GUELPH
KITCHENER WATERLOO
OAKVILLE
LAKE ONTARIO
GALT
PARIS
HAMILTON
PORT HURON
SARNIA
INGERSOLL
WOODSTOCK
BRANTFORD
LONDON
ST. CATHARINES
NIAGARA FALLS
WELLAND
TILLSONBURG
DELHI
ST. THOMAS
SIMCOE
AYLMER
WALLACEBURG
M. C. FREEWAY
BUFFALO
DETROIT
LAKE ST. CLAIR
CHATHAM
WINDSOR
TILBURY
HEAD OFFICE AND WAREHOUSE
WAREHOUSE
LAKE ERIE

LITHOGRAPHED BY Commercial Print-Craft Limited - WOODSTOCK

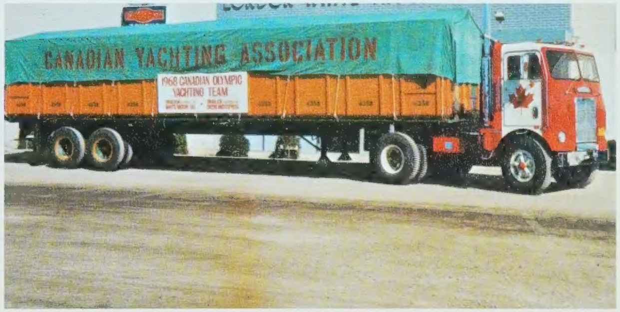
One of
our trucks
unloading at
Toronto Harbor.



Our vehicles
shown moving across
the International
Boundary Line on the
Queenston-Lewiston
Bridge over the
Niagara River.



It was our pleasure to
provide a semi-trailer to the Canadian
Olympic team to assist them in moving yachts
and other equipment to the 1968 Olympic Games in
Mexico. This unit travelled 9,000 miles without a mishap.




the OVERLAND EXPRESS Limited
4264
OIL LIMITED